GSP3201 ENTREPRENEURIAL STUDIES

BAUCHI STATE UNIVERSITY, GADAU

CHAPTER 1:

CONCEPT OF ENTREPRENEURSHIP

Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, social risk and receiving the resulting rewards of monetary and personal satisfaction and independence.

However, a person decides to do something either because something in that activity lure him or he takes it as option in lieu of something else, he is forced to do it people or circumstance. The factors which lure a person to become entrepreneur are called **PULL FACTORS** and the factors that compel him are called **PUSH FACTORS.** These factors are explained below:

PULL FACTORS: Pull factors include the following:

- **Perception of Advantages:** If a person feels that he can earn better or overall gains in terms of money, status, security, future, etc. as an entrepreneur better than working as an employee, he tends to turn an entrepreneur.
- **Spotting an Opportunity:** Many employees spot a business opportunity in the course of their work and decide to exploit that opportunity rather than pass it on to their employer. Many employees buy unsuccessful businesses at throw away prices from their former employers and turn them around.
- **Government Policies:** Government very often formulate policies to promote certain business activity or backward areas which offer tax concessions/holidays, cash subsidies cheap land, etc. which improve success and profit prospects.
- **Motivation:** From biographies or success stories.
- **Influenced:** by culture, family background, teachers, peers, etc.

PUSH FACTORS:

- **Job Dissatisfaction:** Many people start their own venture because they feel dissatisfied with their existing jobs/boss/work environment.
- **Relocation:** Repeated or especially unhappy relocation sometimes prompts some people to entrepreneurship.
- **Joblessness:** This is the bigger source of micro level entrepreneurships. Many parents help their academically poor children, who fail to find a job, to start their own micro ventures. But success rate in such ventures is poor. They very traits responsible for their academic failure lead to business failure.
- **Lay Off:** Layoff often lower the market value of an employee to half. Thus, if a person is laid off and he is unable to find a suitable job for him, he might think of starting his own business.
- **Retirement:** Many retired, but physically and mentally fit people start their own business either to supplement their pension/savings or just to keep themselves gainfully occupied.

CRITICAL SUCCESS FACTORS IN ENTREPRENEURSHIP

If we take a look at many successful enterprises today, we can see that there must be some things some inner forces that make success possible. Nearly all successful managers behave alike. They take calculated risks. They understand their strategic direction and at the same time they remain focused. Our focus in this discussion is to understand those factors that are critical for success in entrepreneurship.

- **Existence of a Good Business Opportunity:** since we are discussing success factors in entrepreneurship, it must also be important to stress that the objective of the entrepreneur is to make a profit, however, cannot be made unless there exists a good business opportunity which the entrepreneur has seen and wants to exploit.
- **Technical Competence:** Technical competence ordinary refers to the ability of the entrepreneur to understand the business in question and also possess the relevant knowledge and skills to engage in the business. For example, a person engaged in the business of photography must understand the handling of cameras, films and to some extend film processing. These are the things that contribute to successful photography. Other examples are available.
- **High Mental Ability:** Another critical success factor is high mental ability. High mental ability is very important for an entrepreneur to be really successful. Mental ability refers to the capacity to understand. It enables the entrepreneur to think and develop strategies that will lead to success in a highly competitive environment.
- **Human Relation Skills:** Possession of good human relation skills is another critical success factor in entrepreneurship. We have deliberately chosen human relation skills because it stands on its own as an aspect of management competence. We have chosen the human relation aspect of management because as we said, the entrepreneur is the factor that organizes the other factors of production. Land is a non-human factor of production. So, also is capital. But labour is a human factor of production. And it is the ability to manage this human factor of production that leads to excellent business performance.

CAUSES OF BUSINESS FAILURE

As said earlier we will discuss the causes of business failure so as to give potential entrepreneur adequate information on what could lead to failure in business. This is important because prevention is better than cure.

- **Unbalanced Experience in a Line of Business:** This is one of the major causes of business failure. Every line of business has its own unique features. A potential entrepreneur going in to business needs to have prior experience and knowledge or someone with experience in a particular line of business for guidance.

- **Poor Managerial Experience:** The difference in performance between two organizations can be traced to their different management. Good and effective managers make a lot of difference in an organization. An organization with a good crop of managers will obviously show superior performance than one with poor managers. So it is very easy for us to say that poor managerial experience on the part of the entrepreneur can lead to business failure.
- **Lack of Information about the customer:** All over the world today and in every situation, the business is woven around the customer. Successful businesses direct their energies towards satisfying their customer. And as is said, "**The customer is king"**. It therefore follows that any business that does not have sufficient information about the customer is likely to fail. This is because the customer is likely to switch alliance.
- **Lack of Product Development:** Today's customers are always asking for new products with new and better features or an upgraded version of existing ones. Lake of value addition to a product can therefore make customers stop patronizing a product thereby leading to decline in sales which result to failure of business.

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Evolution and Theories of Entrepreneurship: A Critical Review on the Kenyan Perspective

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Abstract:

This paper attempts to give a critical review of various theories of entrepreneurship and also shows how the theories can be applied in the developing countries with emphasis on East Africa but focusing Kenya's entrepreneurial culture and practices. All these approaches are critically analyzed and both strong sides and shortcomings are introduced in terms of their implications This paper focuses on various approaches of entrepreneurships such as classical theorists like Richard Cantillon- the entrepreneur who equilibrates supply and demand in the economy by bearing risks or uncertainty; Jean Baptiste Say who portrays the entrepreneur as a manager being an agent of production in the economy rather than a risk taker; the neoclassical theories of Alfred Marshall who introduced an innovation function of an entrepreneur by continuously seeking opportunities to minimize costs and ultimately maintaining equilibrium in the economy through perfect competition; Schumpeterian approach as the creative destroyer of equilibrium through innovation and discovery of opportunities by introducing new products or new processes; Kirzner who introduced the entrepreneur alert and a creation of economic shock and the response of the alert entrepreneur to the same; Knightian entrepreneur as a residual claimant and risk taker in the environment of uncertainty, the approach of Schutz of using information revealed to react to opportunities through change of behavior and action and other recent theorists. A review is also done on the sociological aspects of entrepreneurship with a view to solve social issues (social entrepreneurship); biological theories which brings in the gender differences in the start-up and operation of entrepreneurial ventures with an emphasis on risk taking; an analysis of entrepreneurship as a team concept rather than an individualistic issue and the benefits that arise from it due t supportive mechanisms such as culture and policies.

Key Words: *Theories of entrepreneurships, approaches, culture, practices, human capital, Profits, equilibrium.*

1. Introduction

1.1 Definitions of Entrepreneurships.

The classical and neo-classical theorists have labored in trying to define entrepreneurship, but there is no single definition of Entrepreneurship. It all depends on the focus of the one defining it and from which perspective one looks at it. Some researchers look at entrepreneurship from the economics view, sociology and psychology, others look at it from the management perspective, while others look at it from the social perspective. Entrepreneurship is a therefore a multidimensional concept (Bula, 2012a).

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According to Van Praag (1999), Richard Cantillon was the fist economist to acknowledge the entrepreneur as a key economic factor in his posthumous "Essai sur la nature du commerce en general" first published in 1755 (Cantillon, 1959). Cantillon saw the entrepreneur as responsible for all exchange and circulation in the economy. As opposed to wage workers and land owners who both receive a certain or fixed income/rent, the entrepreneur earns an uncertain profit (Hebert and Link, 1988). Cantillon's entrepreneur is an individual that equilibrates supply and demand in the economy and in this function bears risk or uncertainty.

Say (1767-1832) provided a different interpretation of the entrepreneurial task. He regarded the entrepreneur as a manager of a firm; an input in the production process. (Say, 2001).

Say saw the entrepreneur as the main agent of production in the economy. Rather than emphasizing the risk-bearing role of the entrepreneur, Say stressed that the entrepreneur's principle quality is to have good judgment (Hebert & Link, 1988, p. 38).

The entrepreneur acts in the static world of equilibrium, where he assesses the most favorable economic opportunities. The payoff to the entrepreneur is not profits arising from risk-bearing but instead a wage accruing to a scarce type of labor, the role of the entrepreneur is separated from that of the capitalist. In his "Principles of Economics," the early neo-classical economist, Alfred Marshall, also devoted attention to the entrepreneur. In addition to the risk bearing and management aspects emphasized by Cantillon and Say, Marshall introduced an innovating function of the entrepreneur by emphasizing that the entrepreneur continuously seeks opportunities to minimize costs (Marshall, 1964).

An entrepreneur can fulfill different functions (Fiet, 1996). Other researchers distinguish between the supply of financial capital, innovation, allocation of resources among alternative uses and decision-making as functions of an entrepreneur. They use the following definition of an entrepreneur which encompasses the various functions: "the entrepreneur is someone who specializes in taking responsibility for and making judgmental decisions that affect the location, form, and the use of goods, resources or institutions" (Hébert and Link, 1989, p. 213). Wennekers and Thurik (1999)

Schumpeter defines entrepreneurship from the economics perspective by focusing on the perception of new economic opportunities and the subsequent introduction of new ideas in the market. Entrepreneurs identify opportunities, assemble required resources, implement a practical action plan, and harvest the reward in a timely, flexible way (Sahlman and Stevenson 1991, p. 1). Those in the management world may apply Schumpeter's definition: entrepreneurship is a way of managing that involves pursuing opportunity without regard to the resources currently controlled.

2. Different Approaches of Entrepreneurship

2.1 Entrepreneurship as a mental act

Mises(1949) looks at entrepreneurship from the point of view of the particular outcome which the actor aims at. Action seeks to change the future. Entrepreneurship is the comparison of the forecasted future state of the world which the actor expects to occur in the absence of his specific action with the newly-made and previously-unnoticed or unforeseen forecasted future state of the world which the actor expects to result from his specific action, and the taking of the specific action by the entrepreneur to achieve his preferred future state of the world. Entrepreneurship consists in the creation of a previously-unperceived opportunity for profit and the alertness to that previously untapped opportunity, and then the taking of

action to achieve the opportunity. Mises solved the entrepreneurial task by introducing human action. Besides the agents' attempt to calculate economic problems, they are also alert to opportunities. Once an economic agent recognizes a market opportunity, he acts on it to improve his position. Opportunities are abundant in a situation of disequilibrium and there is the ability of human action to every economic agent.

2.3 Evolution

A lot of issues are addressed that burn down to questioning the phenomenon of innovation endowment (resources, capabilities) competencies (including experience)) and non-individual, environmental factors subsuming the economic situation. The latter gives us the notion of feedback effects. The economic agents' decisions are influenced by economic factors (economic situation) and in return influence economic factors by their actions, e.g. by the decision to establish a firm (Becker, 1993).

2.4 Actors

Entrepreneurial spirit, human capital and venture capital are an entrepreneur's individual endowment which can be used to act towards establishing a business venture. The entrepreneurial component can be thought of as the residual of the agent's (entrepreneur's) individual endowment which withdraws itself from empirical measurability (Mises, 1949).

2.5 Human capital

The human capital approach, constituted by Theodor W. Schultz and elaborated by

Becker (1993) among others allows for an empirical application. It borrows from optimal investment theory by highlighting income distribution. The theoretical concept is basically derived from investment theory in physical capital using marginal analysis, agents decide in a dichotomous way; if they expect the returns of going entrepreneurial will be higher than being an employee, they will decide to become an entrepreneur (Schutz, 1971).

3. Entrepreneurship Theories

3.1 Cantillon's theory (1755)

This theory does not view the entrepreneur as a production factor as such, but an agent that takes on risk and thereby equilibrates supply and demand in the economy. In a neo-classical framework, this function resembles that of the optimizing residual claimant, e.g., the business owner who rents labor and capital from workers and land owners in a world of uncertain demand or production.

3.2 Marshall's approach to entrepreneurship (Marshall, 1949)

Marshall is an equilibrium creating entrepreneur. To Schumpeter, the crucial fact about the modern corporation is that its managers cannot fill the strong social role played by the entrepreneur. (Schumpeter, 1942, p. 134).The Neo-classical theory and thereby the 'Marshallian' analysis tries to explain equilibrium conditions in the markets under the assumptions of perfect knowledge and information, perfect competition (existence of many firms), existence of homogenous goods, and free entry and exit. Marshall's main concerns and at the same time goal is to show that markets clear under the perfect competition assumptions and there are no excess profit opportunities and hence there is no exploitation of labor in production process since everyone earns his marginal contribution to production and national income. Marshall uses small changes (innovations) in the market process by many small competitors and

confusingly indicates that large scale production is essential for economic progress and economic innovation (Schumpeter, 1942).

Marshall tried to create equilibrium by having many players in the market, hence perfect competition and not monopolist market. His theories consider many 'great men' who establish equilibrium in the supply and demand in the market for goods and services. Marshallian analysis gives small contributions from a very large number of modest entrepreneurs' lead economic progress.

3.3 The Social Enterprise School

Entrepreneurship is viewed as "social enterprise" initiative. This refers to any organization, in any sector, that uses earned income strategies to pursue a double bottom line or a triple bottom line, either alone or as part of a mixed revenue stream (as a social sector business) that includes charitable contributions and public sector subsidies." Social Enterprise School centers on earned-income activity by nonprofits, but also includes market based solutions to social problems as well as businesses that generate profit that is donated to a social venture or purpose.

3.4 Schultz Approach (Schultz, 1975)

Argues that entrepreneurship is closely connected to situations of disequilibria and that entrepreneurship is the ability to deal with these situations. In disequilibrium, agents are acting sub-optimally and can reallocate their resources to achieve a higher level of satisfaction. Entrepreneurship is the ability to coordinate this reallocation efficiently, and it follows that agents have different degrees of entrepreneurial ability. Schultz argues that, in disequilibrium, individuals know that opportunities to increase satisfaction exist but the reallocating process requires time. A better allocation of resources can be achieved either by experimenting (trial and error) or by investing in human capital. Schultz (1975) argues that entrepreneurship exists in all aspects of life. Thus, housewives and students are entrepreneurs when reallocating their time for housework or student activities. Furthermore, since entrepreneurship is an ability that can be augmented by investment, Schultz argues that a market for entrepreneurship exists and that it is possible to analyze entrepreneurship within the conventional supply and demand framework (Hebert and Link, 1988).

3.5 Kirzner's "alert" entrepreneur (Kirzner, 1997)

While in Neoclassical analysis (Marshall) the main focus is the conditions necessary to sustain an equilibrium, and Schumpeter's focus was to explain the progress in capitalistic system by using innovator entrepreneur's destructive creation, Kirzner- representing the Neo-Austrian approach to entrepreneurship- focused on answering the question of whether a market economy works and, if it does so, what is the process that leads the economy towards an equilibrium? Kirzner claims that initially the economy is in disequilibrium and the competition among 'alert' entrepreneurs leads to equilibrium. Unlike Neo-classical economists, Kirzner realizes that markets are not always clear, there is no perfectly informed representative agent and for change to occur the entrepreneurs need incentives and this incentives comes from the difference among agents in terms of information and knowledge.

According to Kirzner, an improvement in the technique of production or a shift in preferences leads to change (disequilibrium) in the market where initially there was equilibrium. If there is equilibrium in the market there is nothing for the entrepreneur to do and no exchange and profit opportunities for them since everybody will be able to carry out his initially determined exchange plans. But whenever the change has occurred, some planned activities will not be realized. Kirzner states, there is no room for entrepreneurial

discovery and creativity: the course of market events is foreordained by the data of market situation and for the system to create profit opportunities for entrepreneur there is need for an exogenous shock to the system. Kirzner argues that the economy is in a constant state of disequilibrium due to shocks constantly hitting the economy. Furthermore, economic agents suffer from "utter ignorance"--they simply do not know that additional information is available. In this world, the alert entrepreneur discovers and exploits new business opportunities and eliminates (some of the) "utter ignorance" and thus moves the economy toward equilibrium, which is the state where no more information can be discovered.

Kirzner's analysis of entrepreneurship identifies a disequilibrium that can only be corrected (to equilibrium) by alert entrepreneurs who produce and exchange, but the emphasis is on the exchange opportunities and progress that comes mainly from this part. He postulates that entrepreneurial progress does not depend on a “great man" but it does depend on many great men, many players in the business arena. Profits from an entrepreneurial venture may not usually be very large and in some cases before the break-even point is established, the returns maybe negative. Since there is a lot of uncertainty in the business environment, profits is always a speculative affair by the entrepreneurs and therefore an entrepreneurship is an act of risk taking. Seeing risk and grabbing them may be considered too certain and requires an extra talent of people who can see the extra ordinary things. This scenario may therefore negate Kirzner theory.

3.6 Schumpeter (1999): the discovery and opportunity theory of entrepreneurship (equilibrium destruction theory)

Schumpeter looks at entrepreneurship as innovation and not imitation. Schumpeter's innovator as an economic and social leader does not care much about economic profits and only joy he gets from being an innovator and being a server to his society. Schumpeter’s entrepreneur is an innovator in the entrepreneurship arena. In the Schumpeterian theory, the entrepreneur moves the economy out of the static equilibrium.

Marz (1991), states that "Schumpeter hardly denied that the process of accumulation is the ladder to social power and social prestige; but he thought the very mainspring of the exercise of the entrepreneurial function is the powerful will to assert economic leadership. The joy of carrying through innovations is the primary motive, the acquisition of social power a subsidiary to it. The entrepreneur is not (necessarily) the one who invents new combinations but the one who identifies how these new combinations can be applied in production. This line of reasoning implies that a business owner is considered an entrepreneur only if he is carrying out new combinations." The entrepreneur moves the economic system out of the static equilibrium by creating new products or production methods thereby rendering others obsolete. This is the process of "creative destruction"(creating uncertainty) which Schumpeter saw as the driving force behind economic development (Schumpeter, 1949).

3.7 Knight’s Approach (Knight, 1971)

According to Knight, the main function of the entrepreneur is to assume the uncertainty related to these events, thereby shielding all other stakeholders against the entrepreneur. It could be argued that the innovating role of the entrepreneur was already identified or at least mentioned by Marshall. Knight views an entrepreneur in terms of Risk, Uncertainty and Profit. Knight recognized the distinction between risk and uncertainty. The latter is uninsurable since it relates to unique events, e.g., a shift in consumer taste. According to Knight, the main function of the entrepreneur is to assume the uncertainty related to these events, thereby shielding all other stakeholders against it. i.e., the entrepreneur exercises judgment over

these unique situations, the uncertainty in the economy, and functions as an insurance agent. Knight elaborated his theory in the paper; "Profits and Entrepreneurial Functions" from 1942 (Knight, 1942, 1971).

Knight explicitly argues that entrepreneurs are owners of companies, i.e., residual claimants, and thus receive profits. In order to earn a positive profit, the entrepreneur carries out three tasks (ibid): (1) he initiates useful changes or innovations; (2) he adapts to changes in the economic environment; and (3) he assumes the consequences of uncertainty related to the company. Hence, in this later .It can be argued that the Knightian theory of entrepreneurship is a refinement of the theory by Cantillon (Hebert and Link, 1988). The latter also argued that entrepreneurship is closely connected to risk/uncertainty but did not recognize the important distinction between the two. However, the 'Cantillonian' entrepreneur is also an arbitrageur who ensures that the economy is in equilibrium-a function which is not entrusted.

3.7 Neoclassical Constraints

An economy cannot be static and therefore the state of static equilibrium is unrealistic. Large profits in the entrepreneurial situation are also not easy to come by. The wholesome application of the neoclassical theories is also unrealistic.

3.8 Biological Theory of Entrepreneurship

According to Eagly (1995) several of the academic theories of gender differences offer explanations based on deeply seated cultural or even biological differences between men and women. The practitioner literatures are also particularly likely to emphasize gender differences, construing them as core aspects of what it means to be a man or a woman in the entrepreneurial process. However, other especially role-based theories emphasize that gender differences in behavior should be expected to change along with other social changes. Moreover, even theories of more stable gender differences generally also admit the co-existence of more malleable gender differences (Udry, 2001).

Risk has long been a central concept in the entrepreneurship literature suggested by Adam Smith and J.S. Mill (Schumpeter, 1999) Entrepreneurial activities are frequently assumed to involve risk-taking, especially relative to managerial activities within established corporations. However, research has failed to consistently find risk-taking propensity to be a trait distinguishing entrepreneurs from others (Brockhaus, 1980; Aldrich and Wiedenmeyer, 1993; Gartner, 1989). A more promising recent line of research has suggested that entrepreneurs differ in cognitive style from others and that they may be more likely to make particular cognitive errors (Baron, 1998; Kahneman and Lovallo, 1994; Palich and Bagby, 1995), especially errors of overconfidence (Busenitz and Barney, 1997, Cooper, Dunkelberg & Woo, 1988; Manimala, 1992).

Psychologists have documented moderate and consistent levels of differences between men and women in risk-taking behaviors. An analysis of 150 studies examining such differences found some evidence of a temporal trend toward smaller differences, but still found that men were significantly more likely than women to engage in 14 of 16 types of risky activities. Their results showed that "males took more risks even when it was clear that it was a bad idea to take a risk," and that females "seemed to be disinclined to take risks even in fairly risky situations or when it was a good idea," leading to the speculation that "men and boys would tend to encounter failure or other negative consequences more often than women and girls" and that "women and girls would tend to experience success less often than they should" (Byrnes et al., 1999, p.378).

Psychologists' view explains why women are risk averse and are skeptical into venturing in unfamiliar territories as regards business operations. Risk taking is one the entrepreneurial competencies that can propel a business to growth and innovation that ultimately may make a business enterprise to be successful. Risk averseness may contribute immensely to business failure and collapse. This might explain why women enterprises fail within five years of their establishment/start up.

Powell and Ansic (1997) studied business decision-making and their research suggested that women prefer lower risks than men, especially in financial contexts. Their own experimental study of business students showed that women preferred less financial risk than men across a variety of framing scenarios. These views are consistent with those of Sexton and Bowman-Upton (1990), whose study suggested a lower preference for financial risks among female than among male entrepreneurs. It is also consistent with a perspective that views financial leverage as risky, women are also less likely to apply for a loan and are more likely to use personal assets to finance the enterprise or as collateral (Van Auken, 1999; Sexton and Bowman-Upton, 1990). This situation is similar to the Kenyan situation where women are more comfortable with the merry-go –round funding and micro-financing as opposed to borrowing from commercial banks as this is perceived to be less risky. Practitioner-oriented entrepreneurship writers have frequently commented that women entrepreneurs perceive or evaluate risk differently than men, suggesting that women may be less likely to voluntarily undertake very high-risk business activities (Scollard, 1989, 1995).

It has also been suggested that women may be less willing to undertake activities-such as raising external financing-that put them at risk of losing control of their business to outside stakeholders (Stolze, 1989, 1995). Scollard suggests that small elite groups of women entrepreneurs approach risk-taking in a manner similar to men, but that on average, women entrepreneurs are much less willing to undertake substantial business risks. She suggests that men build businesses of all sizes, but most women build only very small businesses, with a few building large firms: "A chasm divides the two ends of the spectrum. That chasm is the fear of risks (Stolze, 1995: 78)."

3.9 Sociological Theories of Entrepreneurship

Entrepreneurial ventures are clearly social entities from the very beginning, because even solo ventures implicitly involve a choice *not* to share ownership with others in the founding process. How a venture begins and whether others are recruited to join the effort can have lasting consequences for its performance and survival. Enterprises can be formed as a result of teams. Three principles underlying team formation may be distinguished: choice on the basis of homophily, purposive choice, and choice constrained by context or opportunity structure (Ruef 2001). Homophily refers to the tendency of people to associate with others similar to themselves, such as choosing others on the basis of gender or ethnicity. Purposive choice reflects people's tendencies to choose others who possess valuable skills, such as education or experience. Finally, opportunity structures set a context within which the first two principles operate. Founders cannot choose someone whom they have not met or have no way to reach, such as a person who works in another organization or lives in another city (Ruef et al. 2002).

Entrepreneurship has a psychological contract involving a give and take 'transactionionary' relationship in form of teamwork involving two or more individuals who jointly establish a business in which they have an equity (financial) interest. These individuals are present during the pre-start-up phase of the firm, before it actually begins making its goods or services available to the market." By this definition, a person must be involved from the beginning and also must have an equity stake in the venture to be considered a

member of the team. Much of the literature is based on the assumption that teams are a deliberate choice of a lead entrepreneur or set of founders (Kamm et al. 1990: 7).

Bird (1989) postulate that there are psychological benefits derived from relationships between team members Unlike a solo entrepreneur, who must bear the burden of making decisions and facing their consequences with no one else to blame, entrepreneurial teams spread the responsibility across individuals. Having to defend decisions to other individuals also having an equity stake in the venture can make team members more confident in their decisions.

Francis and Sandberg (2000: 6) noted that friendships "may hold teams together and stimulate heroic efforts during difficult times." The Biological perspective of entrepreneurship involves a psychological satisfaction and differences in behaviors in their exhibited by different gender in their endeavors as entrepreneurs.

4. Strategic Orientation and Resource Recombination

Innovative resource recombination has been suggested to be the result of a high alertness to new opportunities (Zahra & Wiklund, 2000). The ability to identify and commit oneself to new opportunities has been seen as key entrepreneurial features of individuals (Casson, 1982; Kirzner 1973; Knight, 1942; Schumpeter, 1934) and firms (Stevenson 1983; Wiklund, 1998; Zahra, 1991). Stevenson (1983) suggests that entrepreneurial firms base their strategies solely on opportunities that exist in the environment, using opportunities as a starting point for developing strategies. They tend to pursue new opportunities without regard to resources currently controlled, identifying the resources necessary to exploit an opportunity after they have assessed a new strategy. Administratively managed companies, on the other hand, tend to look more at the resources they already control when developing strategies. They may be aware of the opportunities in the environment but tend to think in terms of how to best utilize and exploit the resources they already control as efficiently as possible in order to exploit new opportunities.

5. Recent Theories

Recent theories of entrepreneurship build on the works described above. Shane and Venkataraman (2000) state that "entrepreneurship involves the nexus of two phenomena: the presence of lucrative opportunities and the presence of enterprising individuals" (Shane and Venkataraman, 2000). Their theory is inspired by the 'Kirznerian' entrepreneurial discovery process but they emphasize that prior information is needed to complement the new information in the discovery of business opportunities. In this respect, they are similar to Schultz who argues that human capital is an important determinant of entrepreneurial ability.

Casson (2003) tries to encompass both the Schumpeterian and the 'Knightian' definitions by arguing that entrepreneurs are individuals who specialize in decision making. The Schumpeterian entrepreneur applies information about inventions to create new combinations and is ultimately the one who decides if the new combinations are profitable.

5.1 Modern theories of entrepreneurship

New classical growth models do not derive growth and that they do not succeed in bringing population and households into the scene. To break through the development trap, a mathematical concept- 'open set' is used. The approach of the open set unleashes the power for unlimited growth. In addition to

productive entrepreneurs, it also describes the behaviors of those unproductive and destructive ones. These latter ones are responsible for many financial crises, including the current mortgage-back crisis. (Hak Choi, Nov.2008).

The theory of entrepreneurship and the economic theory of the firm thus have much to learn from each other. A good theory of entrepreneurship should explain the conditions under which entrepreneurship takes place: the concept of entrepreneurship as judgment provides the clearest link between entrepreneurship, asset ownership, and economic organization. Similarly, the economic theory of the firm can be improved substantially by taking seriously the essential heterogeneity of capital goods and the subsequent need for entrepreneurial experimentation.

5.2 Management Economic Theories

Management practices can facilitate such resource recombinations. Top management can design several aspects of the firm in more or less entrepreneurial ways (Brown & Eisenhardt, 1998; Eisenhardt & Martin, 2000). A framework can be developed that addresses the degree of entrepreneurship in firm's management practices along several different dimensions. A company's management practices range along a spectrum from highly entrepreneurial to highly administrative. A "promoter" characterizes the entrepreneurial side of the spectrum and a "trustee" characterizes the administrative side (Stevenson, 1983; Stevenson and Gumpert, 1985; Stevenson and Jarillo, 1986; 1990). The promoter's sole intent is to pursue and exploit opportunities regardless of resources currently controlled, while the trustee aims to efficiently use the resources currently controlled. Stevenson's original description of entrepreneurial management consists of six different dimensions: Strategic Orientation, Commitment to Opportunity, and Commitment to Resources, Control of Resources, Management Structure and Reward Philosophy (Brown et al., 2001).

5.3 The Entrepreneur in Economic Modeling

The economic models focused on the Knightian ideas of risks bearing, individuals are modeled as being heterogeneous with respect to risk aversion (Kanbur, 1979). Other discourse assumes that individuals have identical abilities, but differ in their perception of the risks involved in owning a business; the overly optimistic individuals become entrepreneurs (Meza and Southey, 1996). Entrepreneurial skills are a sort of human capital that can be acquired through practices such as education. While many of the general theories of entrepreneurship from the previous sections focus on a role of the entrepreneur that goes beyond that of business owner or an input in the static production function, most mathematical models of entrepreneurship treat it exactly as this. The endogenous Growth theory models supports Schumpeterian models that the reward and inducement to innovations and risk taking in entrepreneurial activities is profit (Aghion and Howitt, 1997).

6. Application of Entrepreneurship to Developing Countries

This section critically analyses the theories with particular reference to the theories application to the Kenyan entrepreneurships.

6.1 Similarities of some theories and their application to Kenya's context

The interest of any developing nation today is surely to maximize entrepreneurship among its people. Defenders of the market economy tend to point to certain nations which they believe represent a success-story for free markets. They point to places like Hong Kong, Switzerland, Taiwan, South Korea, Japan,

Singapore, and the United States etc. The odd thing about this list is that many on it have a system that departs a long way from free-market capitalism. Some are or have been highly authoritarian states with pervasive central planning (e.g. Japan, Taiwan and Singapore). Such states certainly are among the world's economic success stories of recent times but free-market capitalism is scarcely what they have in common. What they do have in common, however, is sufficient freedom to offer the prospect of relatively huge profit to entrepreneurial individuals. They also provide a climate (including real concessions) wherein business optimism can reach even new heights (Gilder, 1980).

The similarities between Kirzner's and Schultz' theories on one hand and Schumpeter's on the other also appear substantial, especially with respect to the tasks performed by the entrepreneur. All three theories recognize that the entrepreneur identifies or discovers business opportunities. While Schultz defines opportunities generally, these are characterized more narrowly by Schumpeter as innovations, which move the economy away from equilibrium. Under Kirzner's and Schultz' disequilibrium assumption, opportunities arise when information is revealed. Individuals react to these opportunities by changing behavior and acting differently. This process can be compared to the Schumpeterian innovative process that also involves doing things differently. (Kirzner, 1985, 1997).

Kenya’s entrepreneurs also exploit available opportunities, are risk takers and innovators to some extent although Schumpeter (1999) and Drucker (1985) would classify them as creative imitators and imitators respectively.

Kenya being free market capitalism, it can only borrow the concept of huge profits as an antecedent to entrepreneurial innovation and start up of entrepreneurial venture. In such cases what commonly happens is that the huge profits achieved are ploughed back into the business as capital for expansion. The business grows, becomes bureaucratized, loses its initial advantage as competitors copy its methods and ends up again as a very ordinary enterprise with very ordinary profits. Even so, of course, the generation and deployment of capital entailed in this process is very beneficial to the national economy concerned. Enterprises are delicate adventures and without the support of the government new enterprises cannot take off. Markets are unstable and unpredictable and the government should be perceived to be business supportive rather one that stifle business. The Kenyan government should provide an enabling environment to entrepreneurs with a view to inculcating entrepreneurial culture in Kenya. This can be done through review of the education curriculum, giving subsidies to the entrepreneurs, establishing pro business policies and finally initiate mechanisms that are credit borrowing friendly in the women fund and the youth fund to make it more accessible to the intended users.

6.2 Application of the theories to Kenya’s entrepreneurship

Theories of entrepreneurship are mainly designed to answer the questions: (i) how does a market system work? (ii) What is the relationship between entrepreneurship and profit? Marshallian theory which indicates the existence of perfect information and perfect competition assumptions fails to answer both questions accurately because Kenya’s economy is not in a state of static equilibrium, it keeps on changing, hence a dynamic orientation. The Marshallian model indicates the non-existence of excess profits and does not distinguish entrepreneurship from routine production process. The Schumpeterian analysis is the closest to the reality regarding the work of Kenya’s capitalistic market system and creation of profit. He also gives great importance to individual innovations. Kenyans being individualistic people, Schumpeter’s’ theory fits well into the country’s economic context.

Although many economists accept the idea that entrepreneurs are innovators, it can be difficult to apply this theory of entrepreneurship to less developed countries (LDCs). Often in LDCs, entrepreneurs are not truly innovators in the traditional sense of the word. For example, entrepreneurs in LDCs rarely produce brand new products; rather, they imitate the products and production processes that have been invented elsewhere in the world (typically in developed countries). This process, which occurs in developed countries as well, is called "creative imitation" (Drucker, 1985).

Drucker's term appears initially paradoxical; however, it is quite descriptive of the process of innovation that actually occurs in LDCs. Creative imitation takes place when the imitators better understand how an innovation can be applied, used, or sold in their particular market niche (namely their own countries) than do the people who actually created or discovered the original innovation. Thus, the innovation process in LDCs is often that of imitating and adapting, instead of the traditional notion of new product or process discovery and development (Hak choi, 2008).

7. Conclusion

Throughout the evolution of entrepreneurship theory, different scholars have posited different characteristics that they believe are common among most entrepreneurs. By combining the above disparate theories, a generalized set of entrepreneurship qualities can be developed. In general, entrepreneurs are risk-bearers, coordinators and organizers, gap-fillers, leaders, and innovators or creative imitators. Although this list of characteristics is by no means fully comprehensive, it can help explain why some people become entrepreneurs while others do not. The theories of entrepreneurships attempts to link entrepreneurship and profits. However, researchers like Schumpeter and Marshall who view an entrepreneur as an innovator fail to link the process of innovation and entrepreneurship in a situation whereby a new product/process/service has been introduced and profit is not realized.

The gurus of innovation argue that an experiment may fail but one has to keep on trying until success is realized. The theorists in entrepreneurship fail to classify this type of an innovator who experiments and may one day succeed in making profits because entrepreneurship is about commitment, patience and risk taking. The models also fail to take cognizance of the break-even concept- that not all businesses realize profits immediately at start-up points. Some take time before the break-even point is met and final profits realized. The question therefore asked is "when should we start categorizing an innovator as an entrepreneur?" While it is recognized that information grants an entrepreneur the power to seize a profitable opportunity from the theories of Schultz, Shane and Venkataranam, the models fail to outline mechanisms of accessing this information and its final implementation to the process of yielding profits. Yet still, information 'per se' can not yield a business venture. A case in point is the Kenyan university or polytechnic graduate who looks for formal employment but has a wealth of knowledge in entrepreneurship, but due to cultural practices, government policies, banking policies and the stereotype on entrepreneurships is unable to tap the information he/she has to commercialize the theories and venture into entrepreneurial practice.

The Schumpeterian analysis is the closest to the Kenya situation. Kenya being a free market economy whose citizens are very individualistic, they can borrow a lot from Schumpeter's approach, although this approach over emphasizes on the individualistic aspect and ignores the existence and success of family businesses in Kenya which reveals that generations, previous failures, team work can be an anecdote to innovation Schumpeter's approach also ignores the existence of culture and biological influence to start

up and success of innovation espoused in the biological, social and sociological schools. Research has revealed that innovation culture is a prerequisite to entrepreneurship and innovation is part of risk taking. Risk averters can never be entrepreneurs but optimistic risk bearers make it to be innovators. This is not explained by Schumpeter.

Knightian and Kirzner entrepreneurships may be applied after business start-up, but what happens before the business start-up is not mentioned. Say's theory exists before and after business start-up, entrepreneur as the manager. The Knightian entrepreneur is an insurance agent, he equilibrates when there is an economic shock like what happened in the year 2008 to 2009 due to existence of global economic meltdown through providing goods and services needed. Kirzner moves the economy into equilibrium that is non- existent. Economies are never static and therefore equilibrium point can never be attained. While the modern theories try to capture the power of unlimited growth by using mathematical models to explain entrepreneurship behavior; the study of organizational behavior reveals that human behavior is complex and unpredictable that cannot be explained by a model which tends to simplify and omit certain aspects of behavior such as emotions which may not fit well in a model. If Kenya's entrepreneurs can borrow from some theories and development of entrepreneurship in the developed countries through improving on the various policy areas and their entrepreneurial culture then Kenya can be an economic hub not only in the East African region but also in Africa.

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CHAPTER 2:

DEVELOPMENT IDEAS AND BUSINESS OPPORTUNITIES

Introduction

Essentially, entrepreneurship needs ideas to start and grow their entrepreneurial ventures. generating ideas in an innovative and creative process. Sometimes, the most difficult aspect of starting a business us coming up with a business idea. Even if you have a general business idea in mind, it usually needs to go through fine-tuning processes. Fruitful ideas often occur at points where your skill set, your hobbies and interests, and your social networks interests. In other words, the best ideas for a new business are likely to come from activities and people that you already know well.

A Good Business Idea

A business idea is a concept that can be used to make money. Usually it centres on a product or service that be offered for money. An idea is the first milestone in the process of founding a business. Every successful business started as someone's idea.

Although, a business idea has the potential to make money, it has no commercial value initially. Most business ideas exist in abstract form; usually in the mind of its creator or investor and not all business ideas, not matter how brilliant they may seem, would end up being profitable. To find out about an idea's chances in the market and check its innovative content and feasibility, you need to conduct a plausibility. A successful business idea must meet the following three conditions:

- It must offer benefit to the customer by solving a problem or fulfilling a need. Customers buy products and services for just one reason; to satisfy a need. So, if your business idea cannot satisfy customers, it won't be successful. Every successful business idea must have a unique selling proposition.
- It must have a market that is willing to accept it. A promising business idea must offer a product or service that would be accepted by a large market. It must also have feasible arrangements for catering to that large market as well as unique values that differentiates it from the competition.
- It must have a mechanism for making revenue. A successful business idea must show how much money can be earned from it and how money will be earned.

BUSINESS OPPORTUNITY

A business opportunity on the other hand is a proven concept that generates on-going income in other words, a business opportunity is a business idea that has been researched upon, refined and packaged into a promising venture that is ready to launch.

While multiple business ideas may strike you on a daily basis, only few of them will be profitable in the long run based on market research and feasibility study conducted. These few are the real business opportunities. An opportunity is regarded as one after it has been found to meet the following criteria.

- It must have high gross margins
- It must have the potential to reach break, even cash flow within 12 months – 36 months.
- The start-up capital investment must be realistic and within the range of what you can provide.
- You must have a strength and ability needed to drive the business to success.
- Your level of enthusiasm for the business must be very high.
- It must have the potential for residual income
- It must have the potential to keep on improving with time.
- It must have a low level of liability risk.

Sources of Business Idea

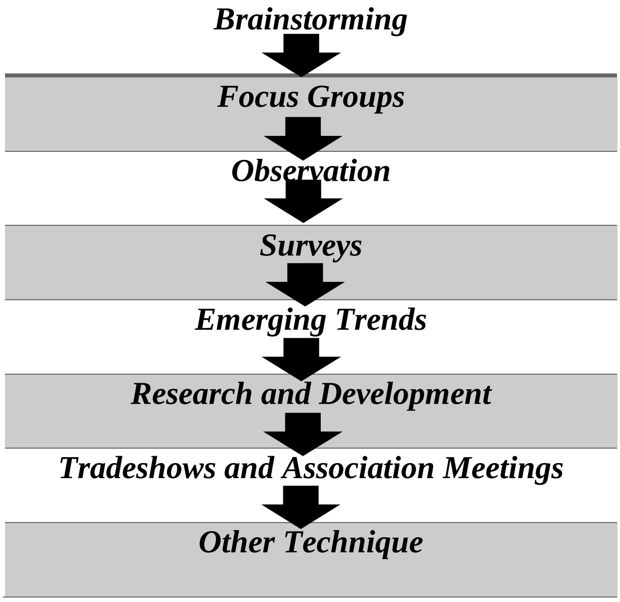
A good business idea can be sourced through the following ways:

- Develop ideas as extension of an existing product (i.e. adding camera and song features to a mobile phone).
- Create an improved service (fast delivery services).
- Market a product at a lower price (via e-commerce e.g. amazon.com)
- Add value to an existing product or service (i.e. reputable brand name or delivery service)
- Altering their quality or quantity.
- Introducing automation, simplification, convenience (i.e. smart product)
- Personal interests or hobbies, many people find ways to turn their hobbies into successful businesses.
- Work experiences, skills, abilities, a business, related to the work you do.
- A familiar or unfamiliar product or service.
- Spot the latest trends.
- Changing the delivery method, packaging, unit size or shape.

Technique for Business Idea Generation

In general, entrepreneurs identify more ideas than opportunities because many ideas are typically generated to find the best way to capitalize on an opportunity.

Several techniques can be used to stimulate and facilitate the generation of new ideas for products services and businesses. Figure 1 presents the techniques of idea generation.



- **Brainstorming -** this is a process in which a small group of people interact with very little structure, with the goal of producing a large quantity of innovative and imaginative ideas. The goal is to create an open, uninhabited atmosphere that allows members of the group to freewheel ideas. Normally, the leader of the group asks the participants to share their ideas. As group members interact, each idea sparks the thinking of others, and the spawning of ideas becomes contagious.
- **Focus Groups** - these are group of individuals who provide information using a structured format. Normally, a moderator will lead a group of people through an open, in depth discussion. The group members will form comments in open-end in-depth discussion for a new product area that can result in market penetration. This technique is an excellent source for screening ideas and concept.
- **Observation** - a method that can be used to describe a person or group of people's behaviour by probing: (i) What do people/organization buy? (ii) What do they want and cannot buy? (iii) What do they buy and don't like? (iv) Where do they buy, when and how? (v) Why do they buy? (vi) What are they buying more of? (vii) What else might they need but cannot get?
- **Surveys** - this method is proposed by Zikmund (1994). This process involves the gathering of data based on communication with a representative sample of individuals. This research technique requires asking people who are called respondents for information either verbally or by using written questions. Questionnaires or interviews are utilized to collect data on the telephone or face-to-face interview.
- **Emerging Trends** - the example is based in the population within your area may be getting older and creating demand for new products and services.
- **Research and Development** - research is a planned activity aimed at discovering new knowledge, with the hope of developing new or improved products and services.

Researching new methods, skills and techniques enable entrepreneurs to enhance their performance and ability to deliver better products and services.

- **Tradeshows and Association Meetings -** This can be an excellent way to examine the products of many potential competitors, uncover product trends and identify potential products.
- **Other Technique -** this can be achieved by reading relevant trade magazines and browsing through trade directories. These may include local, national and foreign publications.

TASKS IN DEVELOPING BUSINESS IDEAS

For a start, you could pursue the following tasks:

- **Identify the value proposition of your business idea:** This is to identify and briefly describe the unique value that you may be able to bring to your customers that your competitors cannot.
- **Discuss Products/Services with Prospective Customers:** Would they buy from you, at what price, with what frequency etc.? Why would they prefer your products to the competitors? Find out what they really think there is a danger that people will tell you what they think you would like to hear. Listen carefully to what is being said; watch carefully for qualifications, hesitations etc. and don't brow beat respondents with your ideas, you are looking for their views.
- **Assess the market using in-depth market research:** (i) how is market segmented (by price, location, quality, channel etc? (ii) What segments are your targeting? (iii) How large are these segments (in terms of volume) and how are they changing? (iv) What are the price make up/structures? (v) What market share might be available to you bearing in mind your likely prices, location, breath of distribution, levels of promotion etc.?
- **Analyze your competitor:** (i) Who are they and how do they operate? (ii) Are they successful and why? (iii) How would they react to your arrival? (iv) What makes you think that you could beat the competition? (v) At who expense will you gain sales?
- **Consider possible start-up strategies:** (i) Will you be able to work from him or part-time? (ii) Will you seek a franchise or set up an in-store concession? (iii) Will you start by buying in finished products for resale as a precursor to manufacturing? (iv) Will you contract out manufacturing? (v) Will you buy an existing businesses or form an alliance? (vi) Could you lease or hire equipment, premises etc. rather than buy? (vii) How will you stimulate sales?

CHAPTER 3:

ENTREPRENEURIAL/BUSINESS ENVIRONMENT

Introduction

The success of every business depends on adapting itself to the environment within which it functions. For example, when there is a change in the government policies, the business, has to make the necessary changes to adapt it to the new policies. Similarly, a change in the technology may render the existing products obsolete, as we have seen that the introduction of computer has replaced the typewriters, the colour television has made the black and white television out of fashion. Again a change in the fashion or customers' state may shift the demand in the market for a particular product, e.g. the demand for jeans reduced the sale of other traditional wear. All these aspects are external factors that are beyond the control of the business. So, the business units must have to adapt themselves to these changes in order to survive and succeed in business.

Hence, it is very necessary to have a clear understanding of the concept of business environment and the nature of its various components.

Meaning of business environment

Business environment may be defined as the total surroundings, which have a direct or indirect bearing on the functioning of business. It may also be defined as the set of external and internal factors which are dynamic in nature and affects the business decisions of a firm.

In modern circumstance, the business operates in a turbulent environment. Internal and external factors affect the business. Internal factors include the vision and mission as well as employees of the organization and other internal mechanism of the organization. On the other hand, external factors are the ones which lie beyond the control of business and impact the organization immensely in operations. External environment relates with the outsiders such as suppliers, customers, creditors, government, etc. For a business organization to achieve success, it is important to go hand in hand, both with internal as well as external factors.

Features of business environment

Understanding environment within which the business is to operate is very important for successful business.

Some of the features of business environment are as follows:

- **Specific and General Forces:** Business environment includes both specific and general forces. Specific forces (such as investor, customers and suppliers) affect individual entreprises directly and immediately in their day-to-day working. General forces (such as

social, political, legal and technological conditions) have impact on all business enterprises and thus may affect an individual firm indirectly only.

- **Dynamic Nature:** Business environment is dynamic in nature. It keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competition in the market.
- **Uncertainty:** Business environment is largely as it is very difficult to predict future happenings, especially when environment changes are taking place too frequently as in the case of information technology or fashion industries.
- **Relativity:** Business environment is a relative concept since it differs from country to country and even region to region. Political conditions in the USA, for instance, differ from those in China or Pakistan. Similarly, demand for *saree* may be fairly high in India whereas it may be almost non-existent in France.
- **Multifaceted:** Business environment changes are frequent and depend on knowledge and existence of business person. Changes may be viewed differently by different individuals. It may be an opportunity for some or a threat for others.

Importance of business environment to entrepreneur

There is a close and continuous interaction between the business and its environment. This interaction helps in strengthening the business firm and using its resources more effectively. As stated above, the business environment is multifaceted, uncertain, and dynamic in nature which has a far-reaching impact on the survival and growth of the business. To be more specific, proper understanding of various aspects of business environment helps the business in the following ways:

- **First Mover Advantage:** Early deification of opportunities helps enterprise to be the first to exploit them instead of losing them to competitors.
- **Identification of Threats:** Identification of possible threats helps in taking corrective and improving measures to survive the competition. For instance; Nigerian if a firm finds that a foreign multinational is entering the Nigerian market, it can meet the threat by adopting measures like, by improving the quality of the product, reducing cost of the production engaging in aggressive advertising, and so on.
- **Coping with Rapid Changes:** All types of enterprises are facing increasingly dynamic environment. In order to effectively cope with these significant changes, firms must understand and examine the environment and develop suitable course of action.
- **Improving Performance:** The enterprises that continuously monitor their environment and adopt suitable business practices are the ones which not only improve their present performance but also continue to success in the market for a longer period.

- **Giving Direction for Growth:** The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities.

Types of business environment

There are mainly two types of business environment, internal and external. A business has absolute control in the internal environment, whereas it has no control on the external environment. It is therefore, required by business, to modify their internal environment on the basis of pressures from external.

The internal environment has received considerable attention by firms. Internal environment contains the owner of the business, the shareholders, the managing director, the non-managers, employees, the customers, the infrastructure of the business organizations, and the culture of the organization. It includes 6 Ms i.e.

- Man (Human resource)
- Money (Financial factors)
- Marketing resources
- Machinery (Physical assets)
- Management Structure and Nature
- Miscellaneous Factors (Research and Development, Company Image and Brand Equity, Value System, Competitive Advantage).

Usually, these factors are within the control of business. Business can make changes in these factors according to the change in the functioning of enterprise.

Man (Human Resource)

The human resource is the important factor for any organization as it contributes to the strength and weakness of any organization. The human resource in any organization must have characteristics like skills, quality, high morale, commitment towards the work, attitude, etc. The involvement and initiative of the people in an organization at different levels may vary from organization to organization. The organizational culture and over all environment have bearing on them. It is internal factor and an organization has absolute control on changing this factor as per the needs the enterprises and other forces.

Money (Financial Factors)

Factors like financial policies, financial positions and capital structure are another important internal factor which has a substantial impact on business functioning and performance. Financial facilities are required to start and operate the organization. The sources of finance are share capital, banking, and other financial institutions and unorganized capital markets. The recent changes in the Indian capital market indicate the availability of plenty of finance, both

from the financial institutions as well as from the general public. The availability of finance coupled with various incentives attached is a facilitating internal factor.

Marketing Resources

Resources like the organization for marketing, quality of the marketing men, brand equity and distribution network have direct impact on marketing efficiency of the company and thereby, affecting the decision making component of the management. This, in lieu has great impact on the internal environment of business.

Machinery (Physical Assets)

Facilities like production capacity, technology are among the factors which influences the competitiveness of the firm. The proper acquisition and working of the assets is indeed essential for efficient working of the organization. An organization invests money in plant and machinery because it expects a positive rate of return over cost in future.

Management Structure and Nature

The structure of the organization also influences the business decisions. Being internal forces, the organizational structure like the composition of board of directors influences the decisions of business. The structure and style of the organization directly has an impact on the decision making process of a firm. These needs to be appropriately managed for smooth functioning and operations. The strategies available to an organization are determined by its structure. Different strategies are better suited to different environments.

Miscellaneous Factors

The other internal factors that contribute to the business environment are as follows:

- Research and Development, Company Image and Brand Equity, Value System, and
- Competitive Advantage.

CHAPTER 4:

1. AGENCIES THAT SUPPORT BUSINESS IN NIGERIA

Entrepreneurship has no to do with identifying gaps and business opportunities in one's immediate environment and bringing together the necessary resources in an innovative way to fill those gaps, bearing the risks involved and in the process gaining personal rewards. Information is a veritable source of entrepreneurship development, therefore entrepreneurs need to be regularly reminded of the basic functional areas regarding their enterprises so as to be up to date and be efficient and enhance the performance of entrepreneurs in Nigeria.

Manufacturer Association of Nigeria (MAN) was established as a national industrial association in 1971 to encourage the patronage of Nigeria made products by Nigerians and foreigners; encourage high standard of quality for member's products through the collation and the provision of advice and; to provide avenue for manufacturers to formulate and influence general policy, in regard to industrial matters.

National Association of Small and Medium Enterprises (NASME) is a private sector organization with members drawn from small and medium scale enterprise. It is devoted to networking capacity building, policy advocacy and promotion of performance of its member's firms and Analysis and publication from NAMSE on business environment, competitive enlighten and policy making are useful to Nigeria entrepreneurs.

Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA) is a voluntary association of manufacturers, merchants, mines, farmers, industrialists, trade groups who network together for the principal objectives of promoting, protecting and improving business environment for micro and macro benefits.

Nigerian Export Promotion Council (NEPC) was established in 1976 to minimize the bureaucratic bottlenecks and increase autonomy in dealing with members of the organized private sector. Its goal and mission are to make the non-oil export sector a significant contributor to Nigeria's GDP and to facilitate opportunities for exporters promote sustainable economic development.

Raw Materials Research and Development Council (RMRDC) is vested with the mandate to promote the development and utilization of Nigeria's industrial raw materials. It is the nation's focal point for the development and utilization of the nation's vast industrial raw materials. The council is also meant to encourage industries to substitute local raw materials for imported ones.

National Poverty Eradication Programme (NAPEP) was established in 2001 by the federal government aimed at ensuring poverty reduction in the country. It coordinates and oversees various other institutions, including ministries, and develops plans and guidelines for them to

vocational trades, to support internship, micro-credit, and create employment in the automobile industry.

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established to promote the development of micro, small and medium Enterprises (MSMEs) in the country. Its mission is to facilitate the access of micro, small and medium entrepreneurs/investors to all resources required for their development. Its vision is to establish a structured and efficient micro, small and medium enterprises sector that will enhance sustainable development in Nigeria. Stimulating, Monitoring and Coordinating the development of the MSMEs sector; Initiating and articulating policy ideas for micro, small and medium enterprises growth and development; Promoting and facilitating development programmes, instruments and support services to accelerate the development and modernization of MSME operations; serving as vanguard for rural industrialization, poverty reduction and job creation.

2. ENTREPRENEURSHIP SUPPORTIVE AGENCIES IN NIGERIA; AGENCIES THAT SUPPORT BUSINESSES IN NIGERIA

Manufacturer Association of Nigeria (MAN)

MAN was formed as a company limited by guarantee to perform important roles on behalf of its members. It was established as a national industrial association in 1971.

The activities of MAN are focused on sectoral group interactions.

The List of sectoral groups includes:

1. Food, Beverages, and Tobacco.
2. Chemical and pharmaceutical
3. Domestic and industrial plastic, rubber and foam.
4. Basic metal, iron and steel, and fabricated metal products.
5. Pupl, paper and paper products, printing and publishing.
6. Electrical and electronics.
7. Textiles, weaving, apparel, carpet, leather and leather footwear.
8. Wood and wood products including furniture.
9. Non-metallic mineral products.
10. Motor vehicle and miscellaneous assembly.
11. MAN export group.

FUNCTIONS OF MANUFACTURER ASSOCIATION OF NIGERIA (MAN)

This industrial association performs the following functions among many:

1. It encourage the patronage of Nigerian made products by Nigerian and foreigners.

2. It encourages a high standard of quality for member's products through the collation and the provision of advice.
3. It provides for manufacturers venue for formulating and influencing general policy, in regard to industrial matters.

NATIONAL ASSOCIATION OF SMALL AND MEDIUM ENTREPRISES (NASME)

It is a private sector organization in Nigeria. Its membership is drawn from small and medium scale enterprises. It is devoted networking capacity building, policy advocacy and promotion of the performance of its members' firms and operators. NASME works to improve the welfare of its members and make input in industrial policy.

Analysis and publicity from NAMSE on the business environment, competitive enlightment and policymaking are useful to Nigerian entrepreneurs.

Member firms of NASME face the daily challenge of the unsupported macroeconomic environment.

NIGERIAN ASSOCIATION OF CHAMBERS OF COMMERCE, INDUSTRY, MINES AND AGRICULTURE (NACCIMA)

This body is a voluntary association of manufactures, merchants, miners, farmers, financiers, industrialists, trade groups who network together for the principal objectives of promoting, protecting and improving the business environment for micro and macro benefits.

The first Chamber of Commerce in Nigeria, the Lagos Chamber of Commerce was founded in 1888 while NACCIMA, the umbrella organization for all chambers of commerce in Nigeria was established in 1960.

ROLES OF NACCIMA

It contributes to the socio-politico-economic development of Nigeria.

- It provides a network of national and international business contacts and opportunities.
- It promotes and develops all matters affecting commerce, industry, mines and agriculture and other forms of private economic activities.
- It considers legislative and other measures affecting commerce, industry, mines and agriculture in Nigeria.

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT OF NIGERIA (SMEDAN)

This body was established to promote the development of micro, small and medium enterprises (MSME). Its mission is to facilitate the access of micro, small and medium entrepreneurs/investors to all resources required for their development. Its vision it to establish

a structured and efficient micro, small and medium enterprises sector that will enhance sustainable development of Nigeria.

It SMEDAN functions optimally it will be one of the most veritable channels to combat poverty.

Like any other agency of its kind, harsh economic condition coupled with week government institutions does not help its performance.

Summary of SMEDAN Functions

- Stimulating, Monitoring and Coordinating the development of the MSMEs sector,
- Initiating and articulating policy ideas for micro, small and medium enterprise growth and development,
- Promoting and facilitating development programs, instruments and support services to accelerate the development and modernization of MSME operation.
- Serving as a vanguard for rural industrialization, poverty reduction, job creation and enhance sustainable livelihoods.
- Linking SMEs to internal and external sources of finance, appropriate technology, technical skills as well as livelihoods.
- Linking SMEs to internal and external sources of finance, appropriate technology, technical skills as well as to large enterprises.
- Promoting information and providing access to industrial infrastructure such as layout, incubators, industrial parks.
- Intermediating between MSMEs and the Government. SMEDAN is the voice of the MSMEs.
- Working in concert with other institution in both public and private sectors to create a good enabling environment of businesses in general, and MSME activities in particular.

NATIONAL POVERTY ERADICATION PROGRAMME (NAPEP)

National Poverty Eradication Programme (NAPEP) is a 2001 programme by the Nigerian government aiming at poverty reduction, in particular, reduction of absolute poverty. It was designed to replace the Poverty Alleviation Programme.

NAPEP and NAPEC coordinate and oversee various other institutions, including ministries, and develop plans and guidelines for them to follow with regards to poverty reduction.

NAPEP goals include training youths in vocational trades, to support internship, to support micro-credit, create employment in the automobile industry, and help VVF patients.

The program is seen as an improvement over the previous Nigerian government poverty-reduction programs. According to a 2008 analysis, the program has been able to train 130,000 youths and engaged 216,000 people, but most of the beneficiaries were non-poor.

This program aimed at poverty eradication and empowerment. There are four major intervention schemes in Nigeria's current poverty eradication program.

One is the **Youth Empowerment Scheme (YES)**, it is target at youth. YES is more than employment scheme as it is aimed at the provision of training opportunities, skills acquisition, employment opportunities, wealth creation through enhanced income generation, improved social status and rural development.

It is primarily aimed at the economic empowerment of Nigerian youths. Its impact is still below expectation.

MICRO FINANCE INSTITUTIONS (MFIS)

These Financial Institutions are set up to meet the credit needs of the rural and urban poor, artisans, farmers, petty traders, vulcanizers, etc. CBN gave a directive to all erstwhile community Banks to convert to MFIs by recapitalizing to meet the new guidelines for the setting up of MFIs. One of the challenges microfinance face in Nigeria is that they do not reach to great number of poor Nigerians. The effect of not appropriately addressing this situation would further accentuate poverty and slow down economic growth and development.

Small and Medium Industries Equity Investment Scheme (SMIEIS)

The scheme requires all banks in Nigeria to set aside ten (10) percent of their Profit After Tax (PAT) for equity investment and promotion of small and medium enterprises.

The 10% of the Profit After Tax (PAT) to be set aside annually shall be invested in small and medium enterprise as the banking industry's contribution to the Federal Governments' efforts towards stimulating economic growth, developing local technology and generating employment.

Activities covered by the scheme include all legal business activity with exception of trading/merchandising and financial services. Beneficiaries are expected to comply with guidelines of the scheme and ensure prudent utilization of fund. Like its other counterparts, its performance is still below expectation.

CHAPTER 5:

FORMS OF ENTREPRENEURSHIP

i. Sole proprietor

ii. Partnership

iii. Joint Stock company

iv. Cooperative society corporations

Sole Proprietor

Sole proprietor is a common type of business that is own control (manage) by single person.

Features of a Sole Trader Business

1. Simple and easy to form
2. Individual owner
3. Manager and Controller
4. Responsible for his own liabilities
5. Less legal formalities
6. Decision-Making Power
7. Easy to Dissolve
8. Sources of Capital
9. Flexibility in Operations
10. Build relations with customers

1. Simple and easy to form

Easy to form is the first features of a sole trader it means an establishing a sole business for a particular individual is an easy thing to do, which it manages by itself and all the entire capital itself is invested. At the time of formation, there are various valid factors are required, like:

a. Discover the idea about the business
b. Find a particular place
c. A limited amount of capital required
d. Minimum legal formalities required

After the time of formation, the ownership of the business is transfer to the sole trader and through which the entrepreneur will start controlling everything in his business.

2. Individual owner

Individuality is the second features of a sole trader and it means that only one or single person can be an owner in any sole proprietorship business because if the two or more owners are in a business, then they will be converted into a business partnership firm. It is not that in the sole

proprietorship business, there can’t be two or more persons, but they are treated as an employee, workers, and helpers. In the sole trader business, an individual has all the rights of authorities and responsibilities, due to which he can take the decisions very well and implement very well in his business.

3. Manager and Controller

Features of a Sole Trader: Manager and Controller are the third features of sole trader and it means a sole proprietorship is a form of business that has an individual owner who is accountable for making and managing the decisions for the sole business company.

In this business, it has one sole owner is also known as manager and controller. He has got perfect responsibility and authority to plan for the business and implement them without any interference of any person.

This feature is a very important feature for the benefit of a sole trader because through this he/she can develop their working attitude, potential, capacity, efficiency, supervision ability, and so on.

Note: Features of a sole trader are also known as features of a sole proprietorship.

4. Responsible for his own liabilities

This is the fourth features of s ole trader and it means that there is only one sole proprietor or business owner in the sole proprietorship business, due to which all the liabilities have to be handled by him.

In this business, the nature of the liability is unlimited. If a sole trader has any kind of loss or liabilities in business then he is paid money or creditors by selling his personal property like land, building and machinery (if he has).

The huge amount of liability is not good for the sole proprietor because this immerse his/her business and him also. So, that’s the reason, unlimited liability is also treated as a disadvantage factor for our sole proprietorship business.

5. Less legal formalities

Less legal formalities are the fifth features of sole trader and it means that, in the sole proprietorship business, the legal documents are necessary but in terms of less.

At the time formation, there is no legal documents are required, similarly, at the time of dissolution, there are no legal documents are required. In any case, a couple of valid restrictions night be there in setting up a particular type of business. Like:

To open a restaurant, the sole trader needs a legal license from the municipality office, and to open a medical shop, the sole trader must have a legal license from the government (state or central).

6. Decision-Making Power

Decision making is the sixth features of a sole trader and it means that an individual owner of the sole proprietor business can take all the legal decisions about the business because he is the owner and manager of his business. He/she has the responsibility and authority to take decisions and implement it on the business for the growth or success.

7. Easy to Dissolve

Easy dissolution is the seventh features of a sole trader and it means that the sole proprietorship business has no legal documents regarding the business. In this case, an only business owner can dissolve his business. So, that's the reason, the dissolution of the sole proprietorship firm is very easy.

8. Sources of Capital

This is the eighth feature of sole trader and it means the capital is the initial backbone of the business because it helps to decide the size and volume capacity of the company. In the sole proprietorship business, there are various ways of acquiring the funds in the business. Those are:-

- Borrowing loans from family and friends
- Borrowing loans from financial institutions.

9. Flexibility in Operations

This is the ninth features of a sole trader and it means, the sole proprietor is the best business for an individual person because, in this business, he will be the owner and manager and also can take relevant decisions related to the business.

If a sole trader has a related power and authority from his business, then he will be able to run his business according to his mind so that he will see simplicity and flexibility in his work. So, that is the reason, flexibility is also the main advantage or feature of the business.

10. Build relations with customers

This is the tenth features of a sole trader and it means that the sole proprietor is always trying to keep a good relationship among the customers and the individuals. The perfect relation is the source of happiness because it creates the coordination chain among the sole trader and their targeted customers. Through good relations, the reach of a sole proprietorship business is increasing day by day.